

**Final Statement of Reasons for the Adoption of the  
Proposed Amendments to California Code of Regulations,  
Title 18, Section 1588, *Seeds, Plants and Fertilizer***

UPDATE OF INFORMATION IN THE INITIAL STATEMENT OF REASONS

The State Board of Equalization (Board) held a public hearing regarding the proposed amendments to California Code of Regulations, title 18, section (Regulation) 1588, *Seeds, Plants and Fertilizer*, on December 18, 2014. During the public hearing, the Board unanimously voted to adopt the proposed amendments to Regulation 1588 without making any changes. The Board did not receive any written comments regarding the proposed regulatory action. Mr. John Gamper, from the California Farm Bureau Federation, appeared at the public hearing and expressed support for the proposed amendments.

The factual basis, specific purpose, and necessity for, the problem to be addressed by, and the anticipated benefits from the adoption of the proposed amendments to Regulation 1588 are the same as provided in the initial statement of reasons. The Board anticipates that the proposed amendments will promote fairness and benefit taxpayers, including hydroponic farmers, Board staff and the Board by clarifying that the exemption provided by Revenue and Taxation Code section 6358 applies to carbon dioxide and fertilizer used in hydroponic farming, by:

- Specifying in subdivision (b)(1) that the term fertilizer includes carbon dioxide;
- Providing in subdivision (b)(1) that carbon dioxide is not an auxiliary soil and plant substance as that term is defined in Food & Ag. Code section 14513; and
- Clarifying in subdivision (b) that the exemption may apply to sales of fertilizer applied to land or in foliar application.

The adoption of the proposed amendments to Regulation 1588 is not mandated by federal law or regulations. There is no previously adopted or amended federal regulation that is identical to Regulation 1588 or the proposed amendments to Regulation 1588.

The Board did not rely on any data or any technical, theoretical, or empirical study, report, or similar document in proposing or adopting the proposed amendments to Regulation 1588 that was not identified in the initial statement of reasons, or which was otherwise not identified or made available for public review prior to the close of the public comment period.

In addition, the factual basis has not changed for the Board's initial determination that the proposed regulatory action will not have a significant adverse economic impact on business, the Board's determination that the proposed amendments to Regulation 1588 are not a major regulation, as defined in Government Code section 11342.548 and California Code of Regulations, title 1, section 2000, and the Board's economic impact assessment, which determined that the Board's proposed regulatory action:

- will neither create nor eliminate jobs in the State of California;

- nor result in the elimination of existing businesses;
- nor create or expand business in the State of California; and
- will not affect the benefits of Regulation 1588 to the health and welfare of California residents, worker safety, or the state's environment.

The proposed amendments to Regulation 1588 may affect small businesses.

#### No Mandate on Local Agencies or School Districts

The Board has determined that the adoption of the proposed amendments to Regulation 1588 does not impose a mandate on local agencies or school districts.

#### Public Comments

The Board did not receive any written comments regarding the proposed regulatory action. Mr. John Gamper, from the California Farm Bureau Federation, appeared at the public hearing and expressed support for the proposed amendments.

#### Determinations Regarding Alternatives

By its motion on December 18, 2014, the Board determined that no alternative to the proposed amendments to Regulation 1588 would be more effective in carrying out the purposes for which the amendments are proposed, would be as effective and less burdensome to affected private persons than the adopted amendments, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or provisions of law.

The Board did not reject any reasonable alternative to the proposed amendments to Regulation 1588 that would lessen any adverse impact the proposed action may have on small business.

No reasonable alternative has been identified and brought to the Board's attention that would lessen any adverse impact the proposed action may have on small business, be more effective in carrying out the purposes for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposed action.